

**USAID/Uganda**

**Annual Report**

**FY 2004**

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## Uganda

### Performance:

Background: Uganda achieved remarkable economic growth in the last two decades as it recovered from war and advanced towards sustainable development and poverty reduction. Uganda aims to reduce absolute poverty to less than 10% of the population by the year 2017 and to increase the well-being of all Ugandans. As a result of economic reforms and the coffee boom, Uganda sustained relatively high economic growth during the 1990s but growth has slowed to 4.9% in 2003 and per capita income is only \$330. And while the percentage of the poor population declined from 56% in 1992 to 38% today, the absolute number of people living on less than a dollar a day stands at 9.5 million, the same as in 1992. Poverty in conflict-stricken northern Uganda remains at 70% and regional disparities are a growing national concern.

The agricultural sector is central to Uganda's economy and food security. It provides employment to 83% of the population, accounts for 40% of GDP, and generates 85% of export earnings. Uganda must step up efforts to diversify the economy, and provide an enabling environment to attract domestic and foreign private investment to help stimulate further economic growth. These efforts will contribute to sustaining the 7% GDP growth level needed to meet the poverty reduction goal. Unfortunately, food security is still a major problem for those affected by conflict, infected with and affected by HIV/AIDS, and other vulnerable groups.

Rapid population growth is a critical issue for Uganda and it is imperative that public and private sector leaders respond to this challenge. Increased availability and better quality reproductive health services are urgently needed to reduce population growth, improve infant and maternal mortality rates, and sustain achievements in the fight against HIV/AIDS and other infectious diseases. Uganda's 3.4% annual population growth erodes economic growth, deepens poverty, and counters other achievements in social sectors. Infant and maternal mortality rates and incidence of malaria are high and not improving. Despite a declining sero-prevalence rate among adults, the HIV/AIDS pandemic could resurge among Uganda's largely young population. HIV/AIDS is a huge issue in Uganda's conflict areas where prevalence rates are thought to be much higher than other areas of the country.

Uganda's commitment to universal primary education spurred enrollment to increase from 2.9 million in 1996 to 7.3 million in 2002. Still only 66% of Ugandan children complete the seven year cycle of primary school and 35% of adult Ugandans are illiterate. Even though education's share of the government budget is now 30%, among the highest in Africa, the challenges are enormous. Increased access has affected the quality of education, and high population growth will continue to add children into the system.

Uganda's democracy lacks viable political opposition and has an overly strong executive branch. Uganda's progress towards a vigorous and representative multi-party democracy requires opening up political space to enable parties to operate freely and constructively, as well as building institutions and systems which can check and correct abuse of authority and corruption.

Armed conflict in northern Uganda and the spread of attacks on civilians in eastern Uganda by the Lord's Resistance Army (LRA) have displaced more than 1.4 million persons, creating Uganda's worst humanitarian crisis in 17 years. Continued conflict and insecurity cause more than \$100 million per year in lost production, threaten food security even in typically productive agricultural areas, and undermine the effective delivery of humanitarian assistance. An estimated 20,000 children have been abducted during the 17-year civil war, with kidnappings increasing dramatically after a breakdown in the peace process in early 2003. According to United Nations estimates, 8,400 children were abducted in LRA raids between June 2002 and June 2003 alone.

**U.S. Interests and Goals:** The United States has security and humanitarian interests in helping Uganda tackle its economic and social problems. Stable political and economic conditions in Uganda and the East African region will discourage terrorism from flourishing. Uganda has been a model in the fight against HIV/AIDS, poverty reduction and economic reform, and is a strong ally in the war against terrorism. A prosperous and stable Uganda will increase the potential for Uganda to increase trade with the U.S. and reduce aid requirements. To that end, U.S. national interests are served in promoting democracy and governance, resolving conflict, developing human capacity, and expanding economic opportunity and growth in Uganda.

The goal of the USAID program is to assist Uganda in reducing mass poverty. Three strategic objectives address poverty reduction and support the Government of Uganda's poverty eradication program: economic growth, improved human capacity, and effective governance. USAID's economic growth objective is designed to boost economic growth, restructure and revitalize Ugandan exports, curb environmental degradation, and enhance food security for the vulnerable elements of the population, including those infected with and affected by HIV/AIDS. USAID's second objective, improved human capacity, will improve the education and health status of Ugandans. USAID's program helps to reduce Uganda's high population growth, and to mitigate infant and child mortality and morbidity due to preventable infectious diseases. In collaboration with public and private sector partners, USAID works to ensure that people infected with and affected by HIV/AIDS, including orphans, will receive prevention, treatment, care, and support services. Improving both the quality of basic education, and primary school completion rates, are also critical elements of the program. USAID's third objective, effective governance, addresses problems of accountability, improved legislative oversight, increased political pluralism, district-level management and budgeting skills, and the informed participation of civil society in processes of governance at the national and local levels. The USAID program also seeks to reduce the impact of conflict in selected areas of Uganda by promoting reconciliation and reintegration, peace dialogue, and support for vulnerable children and victims of torture.

**Donor Relations:** Uganda is highly dependent on donor assistance, which is expected to finance half of the national budget this year. The World Bank is the largest donor to Uganda, providing budget and project support for rural development, capacity building, private sector development, infrastructure, civil service reform, HIV/AIDS, and rehabilitation of northern Uganda. Other multilateral donors include the United Nations Development Program, UNAIDS, United Nations Children's Fund, and the European Union. The leading bilateral donor to Uganda, the United Kingdom, focuses on justice, agriculture and environment, education, health, and public administration. Overall the United States is the third ranking donor to Uganda and the second largest bilateral donor after the United Kingdom. The United States plays a key role in donor coordination as chair of sector working groups addressing conflict in northern Uganda, health, environment, and democratic processes.

**Challenges:** Uganda's economic progress and stability continue to be impeded by escalating conflict in the North due to the Lord's Resistance Army (LRA) insurgency. Given the lack of military success thus far, if the LRA and the Government of Uganda do not enter into productive negotiations, it is expected that the crisis will continue in the North and East for the foreseeable future. Insecurity has disrupted important development activities, and though there is assistance provided by aid agencies to the internally displaced populations, the level and type of assistance varies widely. Human suffering as a result of this 17 year conflict is massive.

Advancing policy issues and gaining champions in the area of population policy, reproductive health and child survival remain critical challenges for Uganda. The country's high population growth rate, a problem compounded by unmet demand for family planning, undermines many of the country's achievements, including advances in education and the containment of the AIDS epidemic. It is imperative that public and private sector leaders respond to the high population growth rate, lack of progress in child health, and also to the changing face of AIDS in Uganda. In particular, issues of stigma and behavior change related to HIV/AIDS need to be addressed to enable Uganda to have continued success in coping with this pandemic.

Uganda's political landscape has been shaken by recent cabinet proposals for constitutional changes that would further increase the power of the Executive branch. One controversial change proposed is to lift term limits for the president. Uganda needs to open up political space to accommodate those seeking a representative and multi-party democracy. Additionally, the issue of corruption continues to deter investment and impede long-term economic development.

**Key Achievements:** USAID/Uganda achieved very good results in 2003 while completing the transition from its previous strategy to launching a full set of activities and projects under the three new strategic focus areas.

**Economic growth:** In this program, USAID provides assistance to expand rural economic growth by increasing productivity and marketing of food and cash crops to raise rural incomes. In addition, USAID is also helping to increase the competitiveness of select private sector industries. The primary beneficiaries are small farmers, small and micro-enterprises, and rural poor households, especially those headed by women. Linked to USAID funding were: a 58% increase in the value of non-traditional agricultural exports, such as cut flowers, oils and spices, horticultural produce, and cocoa; and an increase of 5.6 million liters in domestic sales of processed milk and other dairy products. Significant progress has been made in expanding the financial resources available to small and medium enterprises through strengthening microfinance institutions and expanding guaranteed loan funds through commercial banks. Lending to small and medium enterprises, referred to as the "missing middle," increased by over \$60 million, or 169%, from \$35 million to \$94 million; and over the past year, USAID-supported microfinance and bank clients located in rural areas increased from nearly 403,000 to slightly over 477,000 clients. Working with community and producer organizations, USAID also supported improvements in land management, soil conservation, and agro-forestry technologies.

P.L. 480 Title II resources strengthen the impact of USAID's program in Uganda. These resources are linked to the Mission's economic growth objective and are central to emergency and humanitarian assistance programs in northern and eastern Uganda. With the three fold increase in food aid for Uganda, the Mission ramped up from a \$33 million food aid program in 2002 to an \$80 million program in 2003. As part of USAID's overall \$80 million food aid program in 2003, P.L. 480 Title II emergency food aid provided by the United States was 70% of the total food aid distributed by the World Food Program in the conflict affected areas of northern and eastern Uganda, as well as to more than half a million drought affected people in Uganda's northeastern semi-arid pastoralist region. P.L. 480 Title II non-emergency food aid is distributed to more than 60,000 food insecure people affected by HIV/AIDS; and "monetized" food aid generated the proceeds to fund activities such as creating new income generating opportunities for poor farmers, increasing basic food crop production, and rehabilitating feeder roads in order to increase market access for rural producers.

**Human Capacity:** USAID's HIV/AIDS, health and education program aims to help ensure that all Ugandan families will have access to essential high quality social services. This past year, USAID has worked with government and private sector to improve their capacity to plan and manage the delivery of social services and commodities over the long term. USAID supported the development of technical norms and standards for health services, provided training so public service providers can meet the standards, and thus contributed to improved quality of health services. USAID also works in partnership with non governmental organizations (NGOs), faith based organizations and other civil society organizations to improve the quality of social services they deliver. In particular, USAID provided technical assistance and capacity building to strengthen HIV/AIDS prevention, care, and support services. To encourage greater private sector service delivery, USAID has worked with Uganda to find ways to provide financial, administrative, and regulatory incentives. Overall, the Mission continued to advance in the areas of improving policy dialogue and advocacy for key health and education interventions.

USAID contributed to an improvement in Uganda's pupil-teacher ratio from 65 pupils per teacher in 2001 to 56 pupils per teacher in 2003. USAID support of teacher performance, school management, and the quality of education has led to higher primary school completion rates, which have increased to 66% from approximately 45%, before universal primary education was introduced in 1997. The school-going population represents an important target audience for positive behavior change. USAID developed

appropriate and age-specific HIV prevention messages for primary school children and trained teachers to deliver messages to over seven million children. USAID support also contributed to significant achievements for improved health. By August 2003, basic immunization coverage for children under 12 months of age in the six districts where USAID is present was 51% compared to 47% a year earlier. A second round of Vitamin A supplementation this year covered 75% of children less than five years of age. Social marketing and promotion of insecticide-treated mosquito nets resulted in a significant increase in their use for 157,393 persons in 2003, compared to 75,000 in 2002. In HIV/AIDS testing, there was an increase in people counseled and tested from 89,735 in 2002 to 111,411 in 2003, of whom women represented 54% of total tested. In 2003, the number of people living with HIV/AIDS who received basic care, community and home-based social support through USAID-assisted activities was 31,336, of whom 60% were women. The number of orphans and vulnerable children supported through USAID programs in 2003 was 72,120, up from 1,367 the previous year and well over the target of 10,000.

**Democracy and Conflict:** USAID aims to consolidate democracy, improve governance, and reduce conflict in Uganda through this program. Core activities are designed to: strengthen the Parliament's legislature, budget, and oversight functions; support decentralization and local government service delivery; build political pluralism and improve electoral processes; and reintegrate children and victims of torture into their communities. These victims of torture are adults and children who have been physically or psychologically abused by rebel forces in Uganda and are being rehabilitated and reintegrated into communities. USAID also provides humanitarian assistance and promotes peace dialogue in an effort to widen an opening for a negotiated settlement of the conflict in northern Uganda.

As a result of USAID's support, the Parliament's capacity to influence national policy and budget formulation was enhanced in 2003 as evidenced by the increased number of bills reviewed in detail by its committees before enactment. USAID's decentralization program had an impact in the eight districts where it operates. Tax collection increased in 2003, local government bid and contracting was more transparent, and districts began to aggressively promote local development by ensuring a favorable business environment. USAID has helped to mitigate the impact of conflict on the population in northern and eastern Uganda through its funding of counseling, care, rehabilitation, income-generating activities, and job training for victims of the insurgency.

**Gender:** USAID addresses gender by expanding opportunities for rural poor women to earn income by better access to the means to increase their agricultural production and by providing loans for small and micro-enterprises, a sector dominated by women entrepreneurs. Many of the programs in the area of human capacity development focus on women, including nutrition, HIV/AIDS, family planning and child survival programs; and increasing primary school retention for rural girls. By promoting citizen participation in local governments and advocacy roles for community organizations, USAID programs aim to include more women in decision-making at the local and national levels.

**Trade Capacity Building:** USAID provides technical assistance and training to help Uganda develop a strong trade policy and investment strategy; meet obligations under regional trade agreements, such as the East African Community and the Common Market for Eastern and Southern Africa, and international agreements such as the World Trade Organization, the ACP-EU COTONOU trade arrangement, and the African Growth and Opportunity Act; and to strengthen private sector competitiveness in order to increase the volume and value of Ugandan exports. In addition, through the introduction of appropriate technologies and access to financial services, a more-business-friendly environment will be created to attract foreign direct investment and encourage local private investment, as has been done with cut flowers, fisheries, and vanilla.

**Country Close and Graduation:**

Not applicable.

## **Results Framework**

**617-001 Increased rural household income**

**617-002 Critical ecosystems conserved to sustain biological diversity and to enhance benefits to society**

**617-003 Quality basic education for an increased percentage of Ugandan children**

**617-004 Increased service utilization and changed behaviors, related to reproductive/maternal/child health in selected districts**

**617-005 Civic pluralism expanded and constitutional checks and balances implemented**

**617-006 Improved foundation for reintegration of targeted areas of Northern Uganda**

**617-007 Expanded Sustainable Economic Opportunities for Rural Sector Growth**

### **SO Level Indicator(s):**

Number of households supported by USAID activities

Number of new off-farm enterprises created as a result of USAID-funded activities

Number of new on- and off-farm jobs created as a result of USAID-funded activities

Percent change in household income of households benefiting in USAID-funded activities

**7.1 Increased Food Security for Vulnerable Populations in Selected Regions**

**7.2 Increased Productivity of Agricultural and Natural Resource Systems in Selected Regions**

**7.3 Increased Competitiveness of Enterprises in Selected Regions**

**7.4 Improved Enabling Environment for Sustainable Economic Growth**

**617-008 Improved Human Capacity**

### **SO Level Indicator(s):**

HIV prevalence among 15-24 year old ANC clients

Primary Completion Rate

Total Fertility Rate

Under five mortality rate

**8.1 Effective Use of Social Sector Services**

**8.2 Increased Capacity to Sustain Social Sector Services**

**8.3 Strengthened Enabling Environment for Social Sector Services**

**617-009 More Effective and Participatory Governance**

### **SO Level Indicator(s):**

Change in level of participation in age/gender appropriate family and community activities

District score on the LGDP index

Number of CSOs submitting written comments to parliamentary committee hearings

**9.1 Devolution and Separation of Powers Strengthened**

**9.2 Conflict Mitigated and Reduced**